

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7760

BILL NUMBER: HB 1471

DATE PREPARED: Jan 11, 1999

BILL AMENDED:

SUBJECT: Charter schools.

FISCAL ANALYST: Mark Goodpaster

PHONE NUMBER:

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

(A) It allows the governing body of a school corporation to convert a noncharter school of the school corporation into a charter school by issuing a charter to an organizer (who must be a group of parents and teachers in a school corporation) to operate a charter school.

(B) It provides an appeal to the Indiana State Board of Education when a charter school proposal is not accepted or when a charter is revoked.

(C) It sets forth the organization, powers, method of establishment, charter contents, policies, oversight, and restrictions for charter schools.

(D) It provides that collective bargaining applies to a charter school. It provides that all charter school teachers are employees of the school corporation. It provides that if a school corporation eliminates a teaching position in a noncharter school because of a charter school, the elimination is subject to due process.

(E) It provides that a charter school may not receive public funds on a per student basis for an amount that is less than the school corporation's average annual per pupil expenditures for noncharter schools during the two years preceding the year of payment.

(F) It provides that a debt that a school corporation has incurred for the building where the charter school is located continues as the debt of the school corporation and does not become a debt of the charter school.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill sets out the following procedures concerning the establishment of charter schools:

Application Procedure: An organizer may submit to the governing body a proposal to establish a charter school. The school must be located in a school building. The time period for the charter must be between three and five years. The governing body may reject a proposal to establish a charter school if the governing body determines there are significant and objective reasons as specified in the bill. The Department of

Education is charged with reporting these applications and the decisions of the school boards to accept or reject these proposals on an annual basis to the General Assembly. If the proposal is rejected, the organizer may appeal the decision of the governing body to the State Board of Education. If the State Board of Education recommends that the school board approve the proposal, the school board shall reconsider the proposal rejection. The school board may approve or reject the proposal upon reconsideration. The decision of the board is final.

Funding: Because a charter school is defined in the bill to be part of the school corporation in which the charter is located, the establishment of a charter school and attendance by students in a charter school will not reduce a school corporation's average daily membership (ADM). **Consequently, passage of this bill will not change the overall amount of funding generated by the current school funding formula.** However, the existence of a charter school will affect the distribution of funding within the school corporation, since students who are enrolled in a charter school would receive no less than the average public funds on a per student basis that were granted to noncharter public schools previous two years. Charter schools are limited to receiving monies from the school corporation's general fund and transportation fund.

Charter schools and programs that enroll students with disabilities are entitled to receive a proportionate share of state and federal funds directed to school corporations that educate students with disabilities, or that staff services for such students.

The following table reports the amount of lowest, average and highest tuition support per student for 1997 and 1998 and projected amounts for 1999.

Average	1997	1998	1999
<u>Tuition Support</u>	<u>(reported)</u>	<u>(reported)</u>	<u>(projected)</u>
lowest	\$3,715	\$3,852	\$3,961
average	\$4,014	\$4,198	\$4,376
highest	\$6,402	\$7,491	\$8,907

This table reports the lowest, average and highest transportation support per student for 1997 and 1998.

Transportation	1997	1998
<u>Assistance</u>	<u>(reported)</u>	<u>(reported)</u>
lowest	\$0	\$0
average	\$55	\$54
highest	\$188	\$186

Governance: The charter school is a public school and, consequently, is part of the school corporation. The school is accountable to the governing body for ensuring compliance with applicable federal and state laws, the agreed upon charter, and the United States Constitution. The organizer of the charter school must report to the Department of Education information on testing results, attendance, graduation rates and enrollment. The school board may revoke the charter under certain conditions.

Explanation of State Revenues:

Explanation of Local Expenditures: If charter schools are established and a significant enrollment shift

to charter schools occurs, the school corporation may need to shift staff and operations to the school corporation's charter schools to adjust to the fewer students it needs to serve in its noncharter schools. School corporations could experience some costs associated with compliance oversight and revocation of charter schools and programs as well as with rejections of prospective charter schools. These costs are indeterminable at this time, and would vary from school corporation to school corporation.

Explanation of Local Revenues: Passage of this bill would not affect property tax levies or rates because the students enrolled in a charter school would still be included in the school corporation's ADM. Students enrolling in a charter school or program, may not be funded at per student basis that is less than the school corporation's average annual per pupil expenditure for noncharter schools during the two years before the execution of the charter.

Charter schools and programs would be allowed to charge tuition only for pre-school or Latch Key programs (if the charter school or program provides these programs).

State Agencies Affected: Department of Education, Teachers Retirement Fund, Public Employees Retirement Fund.

Local Agencies Affected: School corporations.

Information Sources: Department of Education Data Bases.